

PASCO SCHOOL DISTRICT No. 1
Franklin County, Washington
September 1, 1992 Through August 31, 1994

Schedule Of Findings

1. The District Needs To Improve The Process Of Preparing Financial Statements

During our audit of the Pasco School District for fiscal years 1994 and 1993 we noted the following errors in the financial statements:

- a. The taxes receivable account is to be used to report the amount of unpaid taxes due to the district. Taxes are collected by the county treasurer and each month the treasurer reports to the district the amount of unpaid taxes due to the district's General Fund (GF) and Debt Service Fund (DSF). We noted that the amount of unpaid taxes reported on the district's balance sheet did not agree to the county treasurer's report.

	Reported	Correct	
	<u>Amount</u>	<u>Amount</u>	<u>Variance</u>
Taxes Receivable			
FY94 GF	\$500,594	\$2,056,812	\$(1,556,218)
FY94 DSF	\$0	\$1,647,881	\$(1,647,881)
FY93 GF	\$3,472,448	\$1,982,958	\$1,489,490
FY93 DSF	\$2,662,316	\$1,631,002	\$1,031,314

- b. Debt service payments on non-voted bonds are to be recorded in the Debt Service Fund rather than in the fund that received the debt proceeds. We noted that the district was recording debt service payments in the Capital Projects Fund (CPF) instead of the Debt Service Fund.

- c. The payments for bus purchases should be coded to capital outlay, purchase of buses. We noted that the district incorrectly coded purchase of buses to debt service (DS) principal. These errors impacted the operating statements as follows:

	Reported	Correct	
	<u>Amount</u>	<u>Amount</u>	<u>Variance</u>
FY94 CPF DS) Principal	\$25,577	\$-0-	\$25,577
FY94 DSF DS) Principal	\$5,060,000	\$5,085,577	\$(25,577)
FY93 CPF DS) Principal	\$391,002	\$-0-	\$391,002
FY93 CPF Trans. equip.	\$291,313	\$656,738	\$(365,425)
FY93 DSF DS) Principal	\$1,220,000	\$1,245,577	\$(25,577)

- d. One time transfers of resources from the General Fund to another fund are to be recorded as operating transfers instead of expenditures. We noted that in fiscal year 1993 the district recorded a transfer out of the General Fund as an

expenditure. This impacted the General Fund operating statement for fiscal year 1993 as follows:

	Reported	Correct	
	<u>Amount</u>	<u>Amount</u>	<u>Variance</u>
Expenditures)			
Support Services	\$14,058,552	\$13,958,552	\$100,000
Operating Transfers Out	\$150,000	\$250,000	\$(100,000)

- e. Long-term liabilities of governmental fund types should be accounted for in the general long-term debt account group. We noted that the district has a long-term liability to United States Environmental Protection Agency (EPA), with an August 31, 1994 balance of \$366,506 that was not reported in the general long-term debt account group.
- f. The amount of long-term debt outstanding on the balance sheet should be the debt which the district is required to pay. In fiscal year 1994 the district refunded some outstanding debt by issuing new debt. This was done to realize debt service savings. The county treasurer is ex-officio treasurer of the district. In the process of reporting the effect of refunding the debt, the treasurer incorrectly reported to the district the amount of debt outstanding.

The district staff did not discover that the amount reported by the treasurer was inaccurate as they did not reconcile the amount on the treasurer report to district records. This impacted the fiscal year 1994 balance sheet for General Long-Term Debt Account Group as follows:

	Reported	Correct	
	<u>Amount</u>	<u>Amount</u>	<u>Variance</u>
Bond Payable) Long-Term	\$16,725,000	\$16,840,000	\$(115,000)

We consider the condition, which contributed to the financial statements being materially misstated, to be a material weakness.

The district's accounting policies should conform to the *Accounting Manual for Public School Districts in the State of Washington* (School Accounting Manual) as described in Note 1 to the financial statements. The accounting manual discusses the proper treatment for the above errors.

These errors in reporting were the result of the district staff not having enough training in how to correctly apply the accounting policies described in the School Accounting Manual. Also the district staff did not reconcile information reported on the county treasurer monthly report to district records.

When financial reports are not prepared by following the required accounting policy, the users of these reports are denied access to the district's complete financial position. The users include bondholders, bond brokerage firms and any other persons interested in the district's financial affairs.

We recommend that the district take the following steps to improve the process of preparing the financial statements for future fiscal years:

- a. Reconcile the year-end taxes receivable amount to the August county treasurer's

report.

- b. Make all debt service payments out of the Debt Service Fund.
- c. Reconcile operating transfers in and out.
- d. Report all long-term debt in the General Long Term Debt Account Group.
- e. Reconcile the amount of outstanding long-term debt reported by the county treasurer to district records.
- f. Obtain training for the accounting staff on the application of the *Accounting Manual for Public School Districts in the State of Washington*.

2. State Transitional Bilingual Students Should Be Properly Counted

During our audit we reviewed the state transitional bilingual program student count reported on January 3, 1994. We reviewed 28 percent (or 595 of the 2,109 reported) of the students to see if they were actually enrolled on the count date. We found 19 of the students tested had withdrawn during the month of December and were not enrolled in the district on January 3, 1994. These students were reported as enrolled and the district received additional funding for these students from the Office of the Superintendent of Public Instruction (OSPI). The program did not include any federal funding.

OSPI Bulletin No. 27-93 S.B.S. No. C. states:

Bilingual Students: Report students enrolled in a state approved Bilingual program in the field provided in Form P-223. Report the number of individual (headcount) students on the monthly count date.

Instructions for the P-223 No. 1. Count Dates states:

Report enrolled students as of the fourth school day of September and the first school day of each of the next eight months (October through May).

The district staff in charge of the bilingual count did not understand that form P-223 was to only include enrolled students on the count date. The district staff thought they were to report the number of bilingual eligible students, who had been enrolled in the district at any time during the prior month.

By reporting students that were not enrolled on the count date the district overreported the number of bilingual students enrolled and received additional funding from OSPI for which they were not entitled.

We recommend the district count only the bilingual eligible students enrolled on the count dates. We also recommend that site personnel be trained on the P-223 terminology. We further recommend that Pasco School District work with OSPI and determine the amount of the overpayment and refund that amount to OSPI.

3. State Transitional Bilingual Students Should Receive Transitional Bilingual Instruction

During our audit of the state transitional bilingual program for fiscal year 1994 we reviewed 595 bilingual student records. We found that 56 (or 9 percent) were not receiving direct transitional bilingual instruction services. These students were claimed by the district for additional funding as bilingual students, but district records did not show these students receiving any additional instruction. The program did not include any federal funding.

Washington Administrative Code (WAC) 392-160-004 states:

- (1) Transitional bilingual instruction means a system of instruction which:
 - (a) Uses two languages, one of which is English, as a means of instruction to build upon and expand language skills to enable a student to achieve competency in English;
 - (b) Introduces concepts and information in the primary language of a student and reinforces them in the English language; and
 - (c) tests students in the subject matter in English.

The district may also provide an alternative instructional program. WAC 392-160-005 defines an alternative instructional program as:

- (4) Alternative instructional program means a program of instruction which may include English as a second language and is designed to enable the student to achieve competency in English.

The district interpreted "transitional bilingual instruction" as including facilitators and advocates. These staff members monitor all bilingual students but do not provide bilingual instruction. The district assumed that this was adequate for the students who were not in bilingual classrooms. District staff states that this method was orally approved by the Office of Superintendent of Public Instruction (OSPI). OSPI did not provide written authorization allowing the district to provide services not otherwise authorized by the above WACs.

By reporting students in the transitional bilingual program that are not receiving transitional bilingual instruction, the district may have received funding for which they were not eligible.

We recommend that all students claimed as bilingual receive bilingual instruction. We further recommend that Pasco School District work with OSPI and determine the amount of the funding that is related to students not receiving bilingual instruction services and refund that amount to OSPI.

PASCO SCHOOL DISTRICT No. 1
Franklin County, Washington
September 1, 1992 Through August 31, 1994

Schedule Of Federal Findings

1. Emergency Immigrant Students Should Be Properly Reported

During our audit of the federal Emergency Immigrant Program (CFDA 84.162) we found students reported to the Office of the Superintendent of Public Instruction (OSPI) that were not currently enrolled in the district at the time of the student count. This count is used to determine the federal funding for the next school year. Our testing was of the student count done in fiscal year 1993 that is used to determine the funding for fiscal year 1994.

The OSPI Emergency Immigrant Education Program Eligibility Report, Item A, states:

. . . Total number of eligible immigrant students currently enrolled in public and non-public elementary and secondary schools within the area served by the district.

The district staff interpreted the "currently enrolled" as meaning any eligible students who had enrolled in the district during the current year, irrespective of whether the student had withdrawn prior to the official count date.

The effect of the district reporting students that were not currently enrolled in the district on the count day inflated the district's eligible immigrant population by 116 students (15 percent).

We recommend that the district only count eligible immigrant students who are currently enrolled in the district on the date chosen to count the students. We further recommend that Pasco School District work with OSPI and determine the amount of the overpayment and refund that amount to OSPI.